



Testimony Submitted By:

Kevin Pimental

Xtramart Convenience stores

To: Appropriations Committee

Relative to Lottery Agent Commission Decrease Proposal in GB 6363

March 26, 2009

Chairpersons Harp and Geragosian, and Committee Members, thank you for allowing me to appear before you today. My name is Kevin Pimental. I am the Retail Automation Manager for XtraMart Convenience Stores, and a member of the Connecticut Chapter of the New England Convenience Store Association. I am here representing XtraMart and its 430 employees across the State of Connecticut to testify in opposition to a provision in the Governor's Bill No. 6363 that would decrease the Lottery Agent Commission from 5% to 4%.

The sale of Lottery in our Connecticut stores represents over 1/3 of our overall inside sales, yet it currently yields only 5% margin. Fundamentally, it's very difficult to make an exact correlation between our lottery margin and the expenses required to support that margin. Does the Lottery product support itself? We believe that in many locations it does not. To facilitate speedy fuel, merchandise, and lottery transactions, Xtramart must provide adequate staffing. Over and above our standard payroll, which is generally higher in stores with a larger lottery sales volume, we often find that we must schedule additional staff solely for the purpose of selling Lottery; especially when the jackpots are high.

Our labor burden is not limited to our individual stores. It extends to our corporate office and field personnel. We have a number of administrative staff dedicating to balancing invoices, processing payments, and managing the accountability of daily reports. And because Lottery is arguably the leading contributor to theft in convenience stores today, our Loss Prevention and Operations staff spend countless hours each week preventing and investigating incidents.

At some point, it would be necessary to consider if we should continue to sell Lottery at specific locations. I am not suggesting that it's XtraMart's interest to stop selling lottery to our customers. We value our partnership with the Lottery and aim to achieve a win-win relationship by increasing our product offerings, not reducing them. However, what we must do, as part of normal business practice, is evaluate the efficacy of this offering. We would seek to assess its contribution to our overall profitability, in a manner that is consistent with the evaluations made of any other product in the store. The existence or placement of the lottery would be determined as a result of a sound, and uniform business appraisal. Can this prime

'real estate' be home to a substantially more profitable item? If it simply does not make sense, we would be foolish not to consider an alternative. I repeat, this is not the desire of Xtramart. We respect the burden you all face in the wake of our State's and nation's current economic condition, and we agree that everyone must bear their fair share of burden to help in the recovery. However, we urge the committee to reconsider this action and develop an alternate means for reaching your budgeting goals; not only because of the plights of NECSA and its members, but because you realize that this reduction ultimately will result in a loss of revenue, and a shortfall of your budget projections.

We at XtraMart are very proud to be members of the convenience store industry, yet we engage in a daily battle to survive. We battle against a poor economy, big marketers that expand their product offerings to compete in the convenience market, and against frequent legislation that threatens our livelihood. Unfortunately, a provision that further reduces our ability to make ends meet may be the 'nail in the coffin' for some of our marginal locations. We will need to react by re-evaluating our product selection, reducing our operating expenses, or by closing the doors, which can lead to the layoff of many XtraMart, and Connecticut employees. During these challenging financial times we simply cannot afford to lose business, and this state cannot afford to lose revenues. Please reconsider this provision and embark on taking strides to nurture a win-win relationship.

Thank you for your consideration.

Kevin Pimental

Xtramart Convenience Stores